



**The Quoted
Companies Alliance**

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International Accounting Standards Board
First Floor
30 Cannon Street
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2 October 2008

Dear Sirs,

**An improved Conceptual Framework for Financial Reporting:
Chapter 1: The Objective of Financial Reporting
Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial
Reporting Information**

Thank you for providing the opportunity to comment on these proposals, and we apologise that they come to you shortly after the closure date.

As the representative organisation for the 2,000+ smaller quoted companies on the UK equity markets (viz below the FTSE-350, and on AIM and PLUS) we are deeply aware of the challenge many of these companies experienced in the transitions to IFRS given the limited resources of many of these businesses.

We welcome any initiatives which seek to clarify and consolidate the conceptual framework which we believe is the essential foundation on which standards should be built, and indeed we have pressed for this work to take place at an earlier stage before the development of piecemeal standards.

We are in agreement with the overall thrust of the document but have the following observations:

1. OB2 is about providing users with useful information, but that is only 'half the story'. As important is to stress here that to fulfil the concept of 'usefulness' information needs to be presented in a useable format.

The section on decision usefulness (OB9-14) could be expanded to make this point, but since OB2 is repeated in QC1, the point probably is best made in OB2.

2. OB14 states that financial information is often based on 'estimates, judgements and models'. We believe this phraseology to be flawed and that 'estimates and judgements' should not be equated with 'models'. This could be misleading and potentially dangerous.

The point we would like clarified is that models should inform judgements and not be a substitute for them.

3. QC28 Materiality. The focus of this paragraph is on the omission of material information being a 'bad thing'. We believe the obverse is also a 'bad thing' – viz the inclusion of immaterial information which risks obscuring important information.

The topic of materiality has particular relevance to smaller entities such as many QCA members and we would like to see more prominence given to the materiality statement in the prologue to IFRS, perhaps to be repeated here, and/or at the outset of each standard.

At some stage, we would like some guidance around a cost/benefit approach to materiality or at least its recognition as a valid determinant.

4. OB6. Throughout the various discussions about conceptual frameworks we have argued the case that the concept of directors' 'stewardship' or 'accountability' should be reflected. It is a consideration of equity investors, lenders and other creditors alike, who look not just at the exploitation of assets (para (a) "to make efficient and profitable use of the assets") but at their protection and safeguard against risk – an aspect especially relevant in present circumstances.

We believe it would enhance this element of the framework if it were expanded to reflect this point.

If you wish to discuss any of these comments with us, we will be pleased to attend a meeting.

Yours sincerely,

A handwritten signature in black ink that reads "John Pierce". The signature is written in a cursive style and is underlined with a single horizontal line.

John Pierce
Chief Executive